

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 EB-07 SS-15 INR-07 SP-02 /041 W

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R 310650Z JUL 76

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 5861

INFO AMCONSUL HONG KONG

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STADIS////////////////////////////////

E.O. 11652: N/A

TAGS: EAID, EFIN, SN

SUBJECT: U.S. POLICY TOWARD ADB LOANS TO SINGAPORE AND HONG KONG

REF: (A) STATE 183998; (B) JAKARTA 9793; (C) SINGAPORE 2359

1. EMBASSY APPRECIATES DEPARTMENT'S GUIDANCE ON SUBJECT OF ACCESS TO ADB FACILITIES AND CLARIFICATION OF RATIONALE FOR DIFFERENTIAL INTEREST RATES SET FORTH REF A. WHILE EMBASSY IS IN GENERAL AGREEMENT WITH POLICY APPROACH OUTLINED THEREIN, WE WOULD LIKE TO COMMENT ON THIS POLICY BRIEFLY FROM FIRST SINGAPORE AND THEN REGIONAL POINT OF VIEW.

2. CRITERIA SET FORTH PARA 2 REF A WOULD APPEAR TO VIRTUALLY EXCLUDE SINGAPORE AND HONG KONG FROM ADB LOANS. ALTHOUGH PARA 3 LEAVES THE DOOR AJAR BY ADMITTING THE POSSIBILITY OF MODEST LOANS TO THESE TWO ENTITIES FOR EXCEPTIONAL SOCIAL DEVELOPMENT PROJECTS, THIS LIKELY TO BE OF SMALL CONSOLATION, AT LEAST TO SINGAPORE; GOS IS INTERESTED PRIMARILY IN LONG-TERM FUNDING OF INFRASTRUCTURE PROJECTS (REF C). HOWEVER, EMBASSY HAS NO QUIBBLE WITH THE PROPOSITION THAT SCARCE IDI FUNDS SHOULD GO PRIMARILY TO MOST NEEDY LDCS, AND WE BELIEVE THAT THE GOS IN PRINCIPLE PROBABLY ACCEPTS THIS TOO. WE WOULD, HOWEVER, VOICE THE HOPE THAT THE NAC WILL SHOW FLEXIBILITY IN APPLYING THE POLICY CRITERIA.

"SOCIAL DEVELOPMENT PROJECTS" IS A CRITERION WHICH CAN BE

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TAKEN AS EITHER ENCOURAGINGLY BROAD OR ALARMINGLY VAGUE.

3. WITH REGARD TO THE REGION, THE OPERATIVE WORD ON LOAN POLICY SHOULD, AGAIN, BE FLEXIBILITY. THERE IS POSSIBILITY ASEAN COUNTRIES MAY APPROACH ADB FOR FINANCING OF VARIOUS ASEAN INDUSTRIAL PROJECTS (C.F. REF B). A POLICY QUESTION MIGHT THEREFORE ARISE AS TO WHETHER OR NOT AN ASEAN PROJECT IN SINGAPORE (POSSIBLY INVOLVING EQUITY FROM OTHER ASEAN COUNTRIES) WOULD BE ELIGIBLE FOR ADB FUNDING. ALTHOUGH THIS IS PERHAPS A BRIDGE NEVER TO BE CROSSED, IT IS NOT AN ALTOGETHER HYPOTHETICAL QUESTION; SINGAPORE IS COMMITTED TO GOING AHEAD WITH AN ASEAN DIESEL ENGINE PROJECT. IT WOULD BE UNFORTUANTE TF A SITUATION SHOULD ARISE IN WHICH THE U.S. WOULD BE INSTRUMENTAL IN DENYING ADB FUNDS TO SINGAPORE FOR ASEAN PROJECT FUNDING NOT ONLY WOULD SINGAPORE REACT WITH DISPLEASURE, BUT U.S. - ASEAN RELATIONS GENERALLY COULD BE MADE DIFFICULT. U.S. EXCLUSION OF INDONESIA FROM GSP IS A CASE IN POINT.
HOLDRIDGE

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 31 JUL 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976SINGAP03648
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760296-0648
From: SINGAPORE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976071/aaaaaasx.tel
Line Count: 79
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: STADIS
Reference: 76 STATE 183998, 76 JAKARTA 9793, 76 SINGAPORE 2359
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAY 2004 by BoyleJA>; APPROVED <17 SEP 2004 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: U.S. POLICY TOWARD ADB LOANS TO SINGAPORE AND HONG KONG
TAGS: EAID, EFIN, SN, HK, US, ADB
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006